

Property Tax Exemption for Multifamily Housing

Program Summary

The City of Seattle Property Tax Exemption for Multifamily Housing, Chapter 5.73 of the Seattle Municipal Code, was adopted by the Seattle City Council and approved by Mayor Greg Nickels in March 2004. The City of Seattle Office of Housing is responsible for implementing the program. The program provides a property tax exemption for the value of new multifamily housing construction and rehabilitation improvements for ten successive years for those projects meeting program requirements.

Purpose

The purposes of the property tax exemption for multifamily housing development are to:

- Stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing;
- Increase the supply of multifamily housing opportunities within the City for low and moderate income households;
- Accomplish the planning goals required under the Growth Management Act, as implemented by the City's Comprehensive Plan;
- Promote community development, affordable housing, and neighborhood revitalization;
- Complement the City's historic preservation goals; and
- Encourage additional housing in certain areas to support investment in public transit projects.

Eligible Projects

To qualify for the multifamily tax exemption, a project must meet the following general criteria:

1. Be located within a designated residential target area for this program (see attached maps);
2. Be a multifamily or mixed use project providing four or more additional apartment or condominium dwelling units;
3. Consist of new construction, rehabilitation of a vacant building, or rehabilitation where four or more units are being added;
4. At least 50% of the space within the structure must be provided for permanent residential occupancy;
5. Meet possible tenant displacement and housing replacement requirements;
6. Meet affordability requirements;
7. Complete the design review or special review district process; and
8. Be completed within three years from the date of approval of the application.

Land value, existing structures, and non-residential improvements do not qualify for exemption.

Additional details are contained in the remainder of these guidelines.

Target Areas

To be eligible for this tax exemption program, the site must be located within the boundaries of one of the following designated target areas (*see attached maps*):

- | | |
|--|--------------------------|
| ◆ 23 rd Ave. South at South Jackson | ◆ North Rainier |
| ◆ Bitter Lake | ◆ Northgate |
| ◆ Capitol Hill | ◆ Pioneer Square |
| ◆ Chinatown-International District | ◆ Rainier Beach |
| ◆ Columbia City | ◆ South Lake Union |
| ◆ Denny Triangle | ◆ South Park |
| ◆ First Hill | ◆ University District NW |
| ◆ Martin Luther King at Holly Street | ◆ Westwood-Highland Park |
| ◆ North Beacon Hill | |

Affordability Requirements

To be granted the tax exemption, the owner must agree to meet the following requirements:

- For rental properties one of the following;
 - a) At least 30% of the units affordable at or below 70% of median income.
 - b) At least 25% of the units affordable at or below 65% of median income.
 - c) At least 20% of the units affordable at or below 60% of median income.
- Affordability must remain in place during the period of time the property is receiving the tax exemption.
- For owner occupied properties the units receiving the property tax exemption must be purchased by households with income at or below 80% of median at the time of purchase.

Affordable units must be comparable to market-rate units in the project in terms of unit mix and construction quality.

Affordable units are defined in the Property Tax Exemption Program as units rented or sold to income-eligible households, as of the initial occupancy of each household. A unit may continue to be considered affordable if, after the date of initial occupancy, a household's annual income exceeds the annual income limit. However, when that unit is vacated, it must be rented to a qualified household. For affordable ownership units (e.g., condominiums), upon sale of the tax exempt unit to a buyer not meeting the income qualification the tax exemption shall be cancelled.

For details regarding affordability standards, consult Director's Rules _____ to _____.

Displacement / Replacement Housing

For rehabilitation or conversion of existing occupied structures, no displacement of existing residential tenants is allowed.

For new construction projects where an existing rental housing structure that contained four or more occupied dwelling units will be demolished or was demolished within twelve months prior to application for exemption, units that were rented to tenants who qualify to receive a tenant relocation assistance payment must be replaced, subject to the following requirements:

- For the first ten calendar years of operation, the replacement units shall be affordable to households at or below 50% of median income.
- Replacement may be accomplished either as part of the new construction, or through new off-site construction of multiple-unit housing, the substantial rehabilitation of vacant multiple-unit housing, or the preservation of housing that is rented at the time of application to tenants with household annual income at or below 50% of median income and that the Director determines would otherwise be converted to a use other than rental to tenants with such income.
- The replacement housing shall be completed and a certificate of occupancy issued within three years from the date of approval of the application, with provisions for extension.
- Projects where the existing rental housing structure was demolished before the effective date of this program are not subject to the replacement housing requirements.

Code Requirements and Design Review

Projects must comply with all applicable zoning requirements, land use regulations, and building and housing code requirements at the time of new construction, rehabilitation, or conversion, and for the duration of the exemption. Rehabilitation of vacant buildings is intended to address existing code problems, which must be documented; eligible rehabilitation improvements must achieve substantial compliance with applicable building and housing codes.

The City encourages quality design of new housing projects. All projects must complete the design review process conducted by the Department of Planning and Development (DPD) as a condition of final approval. Projects that would not typically be subject to design review are required to use the Administrative Design Review process. For projects that are City of Seattle Landmarks or are within a Special Review District, the respective Board review fulfills the design review requirement. To obtain more information about Design Review, please call the DPD Land Use Division at 684-8850. For information on the Special Review Districts or Landmark Structures, please call the Urban Conservation Section of the Department of Neighborhoods at 684-0228.

Special Tax Valuation for Historic Properties

Owners of properties that are being rehabilitated in the Columbia City Landmark District, the International Special Review District and the Pioneer Square Preservation District or properties that are City of Seattle Landmarks may be eligible to apply for the special tax valuation for historic properties. The Program is administered by the Landmarks Preservation Board. For more information on this Program or to determine whether your project may be eligible, please call 684-0228.

Process

The attached chart summarizes the process for the granting of the Property Tax Exemption for Multifamily Housing. Key steps in the process are as follows:

- Owner submits *Application for Property Tax Exemption for Multifamily Housing* to the Office of Housing **prior** to obtaining their building permit.
- The Director of the Office of Housing approves or denies the application. If approved, a contract with the City specifying conditions of project development is approved by the City Council by resolution within ninety days of the submission of the complete application. If the application is denied by the Director, the owner can appeal to the City Council within thirty days.
- The City issues a *Conditional Certificate of Tax Exemption*, based on the information provided by the applicant. The *Conditional Certificate* will be effective for up to three years, but may be extended for an additional two years under certain circumstances.
- Once the project is completed and a certificate of occupancy is issued, the owner submits an application for *Final Certificate of Tax Exemption* describing satisfactory fulfillment of all contract terms. Within thirty days, the Director approves or denies the application for *Final Certificate*. If approved, the applicant must pay the City \$150 to cover the Assessor's administrative cost, and the City will file a *Certificate of Final Tax Exemption* with the King County Assessor. If denied, the owner can appeal to the King County Superior Court within thirty days.
- The tax exemption begins the first full calendar year after the Final Certificate is granted, and continues for ten (10) calendar years unless cancelled.
- An *Annual Certification*, filed with the Director, is required to verify that the conditions of the contract are continuing to be met. Failure to submit the *Annual Certification* may result in cancellation of the tax exemption. If requirements are not met, the tax exemption may be canceled and additional taxes and penalties imposed pursuant to State law.

Fees

The application fee for the *Conditional Certificate of Tax Exemption* is \$3,800 for residential projects, and \$4,900 for projects with a mix of residential and non-residential uses. If the City denies the application, the City will retain the portion attributable to actual administrative costs, and refund the balance, if any, to the applicant. The fee for amendment of existing contracts is also \$500, if the nature of the amendment is such that City Council approval is required. The application for *Final Certificate of Tax Exemption* is \$150 to cover the Assessor's Office administrative costs. If the Director denies the application for the *Final Certificate*, the City will refund the fee to the applicant.

For further information, please contact Eric Pravitz at:

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Chart 1. 2002 Income Limits - Target Areas Except Pike-Pine, Capitol Hill, ID						
Household size	1	2	3	4	5	6
Max. Annual Income (80% of median)	\$43,600	\$49,850	\$56,100	\$62,300	\$67,300	\$72,300

Caution: Income limits for federal programs may be capped, and consequently may be lower than shown above.

Chart 2. 2002 Income Limits - Pike-Pine, Capitol Hill, International District						
Household size	1	2	3	4	5	6
Max. Annual Income (60% of median)	\$32,700	\$37,400	\$42,050	\$46,750	\$50,500	\$54,200

Chart 3. SAMPLE AFFORDABLE RENTS for HOUSEHOLDS at 80% Median Income (2002)					
Unit size (# bdrms.)	0	1	2	3	4
Presumed household size	1	1.5	3	4.5	6
Max. Annual Income (80% of median)	\$43,600	\$46,725	\$56,100	\$64,800	\$72,300
Affordable rent	\$1,090	\$1,168	\$1,402	\$1,620	\$1,807

Chart 4. SAMPLE AFFORDABLE RENTS for HOUSEHOLDS at 60% median income (2002)					
Unit size (# bdrms.)	0	1	2	3	4
Presumed household size	1	1.5	3	4.5	6
Max. Annual Income (60% of median)	\$32,700	\$35,050	\$42,050	\$48,625	\$54,200
Affordable rent	\$817	\$876	\$1,051	\$1,216	\$1,355

Note: In the City of Seattle's Multifamily Property Tax Exemption Program, affordability is determined at the time of initial occupancy, based on the household income of tenants. "Affordable" rents in Charts 3 and 4 assume 30% of household income is paid for rent.